

STATE OF CONNECTICUT
HOUSE OF REPRESENTATIVES



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SPEAKER OF THE HOUSE

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Testimony from Speaker of the House Christopher G. Donovan submitted to the Joint
Committee on Energy and Technology

Testimony on SB No. 1, "AAC CONNECTICUT'S ENERGY FUTURE"

The goal of SB No. 1 is to create a new energy policy for Connecticut including a new, consolidated agency, DEEP, with the purpose of lowering energy costs for homes and businesses; moving toward clean renewable energy; creating jobs in Connecticut; and ensuring a safe, reliable energy system.

DEEP

As you know, the consolidation of agencies responsible for both developing and implementing energy policy is a key proponent of this bill. DEEP (the Department of Energy and Environmental Protection) will consist of three bureaus: the Bureau of Energy (including the Clean Energy Fund, ECMB, CEAB, OPM energy personnel); the Bureau of Public Utilities (including the current DPUC); and the Bureau of Environmental Protection (including the current DEP. An agency responsible for oversight of DEEP and its subsequent bureau's will be a restructured CEAB and an internal DEEP ombudsman.

For a long time Connecticut has lacked a body that has a coordinated energy policy. I am glad that our Governor has taken a step toward establishing this consolidated agency, considering, especially, that soon-to-be Commissioner Dan Esty has such impressive experience and credentials. In my conversations with Commissioner Esty, I have been greatly impressed with his vision for this new agency and have the utmost confidence in his abilities.

Specifics

The lowering of electric rates is crucial to the future of Connecticut and for our energy policy. Lowering rates will not only produce savings for residential homeowners, but for businesses as well. Under SB No.1, DEEP will create a Procurement Manager so as to

buy power more flexibly for standard offer service utility customers and will also explore long-term contracts with generators to negotiate lower electric rates. DEEP will be directed to investigate several options for long-term cost savings, including the study of Connecticut's relationship with ISO and its Market Rule 1, which sets electricity at much higher rate than the actual cost of production. Further, DEEP will explore the repowering of the "Sooty Six" generators in an effort to add clean, new energy supply; will conduct a significant cost/benefit analysis on building new transmission lines; and will develop further rate reduction options through the annual Integrated Resource Plan.

Included in SB No. 1 will be the introduction of low-income electric rates for struggling families and seniors and will require electric suppliers to offer optional time of use rates. From these reductions, we could see *possible* rate reduction totals of:

- 15% reduction for CL&P customers (\$18.56/month, \$220 annually)
- 15% reduction for UI customers (\$21.90/month, \$286.44 annually)
- \$328 million in total savings (\$262 million for CL&P customers, \$66 million for UI)

The Future of Clean Energy in CT

To act on clean, renewable energy initiatives **now** will mean new jobs and businesses, an improvement in our environment, and cementing Connecticut as a worldwide leader in energy technology. By attracting clean energy businesses and developing an economy for energy, Connecticut would see job growth and job training in the fields of engineering and architecture, energy service and construction, installation, and several more. This would also mean establishing a fund outside of ratepayer dollars for renewable energy and energy efficiency, including monies from federal and state government, private investors, charitable foundations, etc. and providing low-interest loans and incentives for renewable energy projects for homeowners and businesses.

In addition to other forms of renewable energy, Connecticut will also focus on the sustained development of the solar industry, offering incentives from the Clean Energy Fund for residential solar systems and increasing incentives for CT built solar 5%, and 10% in distressed municipalities. We will cap the amount of utility revenues dedicated to solar energy at:

- ½ of 1% from 2012-Mid 2014 (70 cents per average monthly bill)
- ¾ of 1% from Mid 2014-Mid 2016 (\$1.05 per average monthly bill)
- 1% from Mid 2016 onward (\$1.40 per average monthly bill)

We will assist homeowners and businesses with replacing inefficient boilers and furnaces; use distributed energy generation to help businesses through CHP; and promote energy efficiency standards for TV's, DVD players, and CD players.

With regard to consumer protection, we will ensure open, honest business practices in the electric supplier market by providing consumers with a written contract, which they could cancel within 3 days, including a comprehensive explanation of all rates, fees, variable changes, terms and conditions; requiring salespersons to wear a photo ID; and limiting door-to-door sales from 10AM through 6PM.

It is crucial that Connecticut adopt a new approach to energy that would make our system more sustainable and will reduce our consumption and costs. With the adoption of SB No. 1 and the creation of DEEP, we will see a reduction in electric rates, an increase in renewable energy production, and the creation of sustainable jobs in the green energy market.

In conjuncture with my testimony regarding the future of Energy Policy in Connecticut, I will also want to provide testimony with regard to Electric Rate Relief for ratepayers.

Testimony on S.B. 1176, "AAC ELECTRIC RATE RELIEF"

Firstly, I commend the work of the Energy Committee and its chairs for sponsoring An Act Concerning Electric Rate Relief. SB 1176 seeks to reduce electricity rates, fund energy efficiency and renewable energy programs, and make contributions towards balancing the State budget.

This committee has carefully studied the issues that place our rate-payers at a disadvantage. The generation tax proposed is carefully crafted to prevent the passing of costs on to rate-payers. The same market rule that allows oil, coal and nuclear lower-cost generators to get paid the same price as the highest fuel—natural gas—protects the rate-payers. This is because even with the new tax added the generator's total cost falls below the market clearing price. The bill also creates a disincentive for generators of running dirtier generation during summer months when carbon emissions can be higher.

More importantly, the bill looks to make strategic allocations of the revenue generated. First, there is immediate rate-relief by doing away with the CTA surcharge on Connecticut Light and Power customers. Customers would see a savings of \$ 2.50 per month or \$30 per year—based on average use.

Second, the bill looks to direct more funds toward energy efficiency and renewable energy programs. Connecticut has become a leader in investing in energy efficiency. Through our programs we have saved rate-payers millions of dollars and according to the Connecticut Energy Efficiency Fund we have reduced carbon emissions by 415 tons per year. Another positive benefit of this investment is the further creation of jobs that has been fueled by our investments in energy efficiency.

Lastly, we cannot overlook the fiscal impact to our general fund. The bill's approach, through a generation tax, was not a seriously considered option at the time we had to close last year's budget gap using the CTA backed borrowing. This year we find ourselves with a greater challenge and need to address our problems of high rates and fiscal short-fall. A generation tax is a fairer approach and, in other forms, has the backing of our Governor.

Connecticut consumers continue to pay the highest energy rates in New England and among the highest in the country. We cannot allow this to continue. Residential

customers cannot afford it, and the high rates are a significant barrier to business expansion and job growth. Combined with our desire to fund energy efficiency and renewable programs and our need to address the state's budget deficit, I strongly encourage passage of this legislation.

(Wrap up)